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Uruguay

OILSEEDS

Annual 2009

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Report Highlights:

Post forecasts 2009/10 soybean planted area to reach 650,000 hectares, with production set at 1.3 million tons. 2008/09 crop production is expected to reach 1 million tons. Post estimates 2008/09 soybean crush at 40,000 tons, while 2009/10 soybean crush is expected to increase to 100,000 tons, mainly due to Uruguay's biodiesel mandate and a large project to increase biodiesel production using soybean oil starting in 2009. Post expects soybean exports to increase in 2009/10 due to the expected production increase. Despite increased demand for biodiesel, Post does not expect increased imports of crude soy oil in the next few years.

Executive Summary:

For the 2009/10 soybean crop, Post forecasts planted area to reach 650,000 hectares, slightly higher than the previous year, with production set at 1.3 million tons. Despite the severe drought affecting the region, the 2008/09 crop has reportedly fared better than neighboring Entre Rios province in Argentina, and it is expected that overall production will reach 1 million tons. Domestic demand continues to be primarily driven by protein meals for the feed

industry; and more recently, increased interest in biofuels is also expected to increase demand for soybean oil. Post estimates 2008/09 soybean crush at 40,000 tons, while 2009/10 soybean crush is expected to increase to 100,000 tons, mainly due to Uruguay's biodiesel mandate and a large project to increase biodiesel production using soybean oil starting in 2009. Post forecasts 2008/09 oil and meal consumption at 31,000 and 115,000 tons, respectively. For 2009/10, soybean oil consumption is forecast at 38,000 tons, while meal consumption is forecast to reach 130,000 tons. Uruguayan soybean production continues to be destined predominantly for the export market. Post expects soybean exports to increase in 2009/10 due to the expected production increase. Increased demand for biodiesel is not expected to cause increased imports of crude soy oil in the next few years.

Commodities:

Oilseed, Soybean

Oil, Soybean

Meal, Soybean

Production:

Post forecasts 2009/10 planted area at 650,000 hectares. Assuming average yields of 2 tons/hectare, Post forecasts production to reach 1.3 million tons.

Uruguay has around 4.5 million hectares of land that is apt for crop production – 2 million of which is very good. Given the current area planted to soybeans, there is potential for increases in area planted given soybeans' profitability compared to alternative crops. Post expects area to increase next year due to rebounding prices and plentiful agricultural land. Contacts indicate that second-crop planting will increase over the 2008/09 crop, and to a lesser extent first-crop planting will increase depending on price factors at time of planting. However, Post expects that the larger farming pools that have entered Uruguay from Argentina in recent years will not increase planted area at the same rates seen in previous years. Rather, they will maintain area, focusing on better land, while local farmers will primarily drive the increase in soy planted area for 2009/10.

Reports indicate that the 2008/09 crop is currently about 15 percent harvested. It is estimated that total production will reach 1 million tons from a harvested area of 575,000 hectares. Despite the severe drought affecting the region, the crop has reportedly fared better than neighboring Entre Rios province in Argentina, and it is expected that overall yields for this campaign will average around 1.7 to 1.8 tons per hectare. Post contacts indicate that the growing regions in the northeast of the country have performed better than the western "litoral" area. Second-crop soybeans, which represent about 70 percent of the area planted, are in much better shape than first-crop beans and are expected to yield between 1.9 to 2 tons per hectare. Yields on the first crop are reportedly showing large variation with some lots as low as 0.5 tons per hectare up to 1.4 tons per hectare. Uruguay's soy crop overall is believed to have performed better than expected due to more timely rains than those received in Argentina. The rains in Uruguay came earlier in the crop's filling stage, whereas those rains in Argentina came later in the filling stage.

Consumption:

Domestic demand for soybeans continues to be primarily driven by protein meals for the feed industry. Although consumption has been relatively stable, recent increases have come from the dairy and beef industries. Increased concentration of cattle on feed lots, as pasture land has been converted to production agriculture, has also contributed to the increase. Increased interest in biofuels is also expected to increase demand for soybeans. Mixture mandates require that diesel be blended with 2 percent biodiesel until 2012.

Afterwards, the required ratio increases to 5 percent. Post estimates industrial use of soybean oil (for biodiesel production) to reach 9,000 tons in 2009 and 16,000 tons in 2010 to comply with the mandate. Uruguay's largest oilseed processor, Cousa, recently signed an agreement with Ancap (Uruguay's national petroleum company) to produce the majority of the biodiesel that will be necessary to comply with the mandate by utilizing domestically produced soybeans. Previously, there have been only a few small biodiesel plants across Uruguay that demanded small quantities of soybean oil (around 1,000 to 2,000 tons).

All crushing products (oils and meals) are consumed domestically. Uruguay is a net importer of soybean oils and meals. Post contacts indicate that total crushing capacity (soybean and sunflowerseed) has risen to around 150,000 tons annually (100,000 previously), due to expanded capacity by Cousa, most of which will be used for the biodiesel project mentioned above. Post contacts indicate that the additional demand for biodiesel will not cause increased imports of crude soy oil. Typically, crushing activity has not reached the overall capacity due to higher costs to process soybeans vs. importing crude soybean oil and meal. Uruguayan crushing facilities cannot easily compete with neighboring Argentina due to the economy of scale of Argentina's crushing industry, combined with its differential export tax structure that benefits its domestic processing sector. As such, incentives have heavily favored exports of raw soybeans.

Post estimates 2008/09 soybean crush at 40,000 tons. Post forecasts 2009/10 soybean crush to increase to 100,000 tons, mainly due to the biodiesel mandate and aforementioned project.

Post forecasts 2008/09 oil and meal consumption at 31,000 and 115,000 tons, respectively. For 2009/10, soybean oil consumption is forecast at 38,000 tons, while meal consumption is forecast to reach 130,000 tons.

Trade:

Uruguayan soybean production continues to be destined predominantly for the export market. Post expects soybean exports to increase in concert with the production increase forecast for next year. Although domestic consumption of soybeans is expected to increase due to soybeans crushed for biodiesel production, higher soybean production will likely offset the increased demand. Due to increased crushing levels in the next few years, Post expects imports of meal to decrease. Imports of soybean oil, mainly used for food use, will likely remain stable. Practically all of Uruguay's soybean exports leave through the Nueva Palmira trade zone located on the Uruguay River in western Uruguay.

Post estimates 2008/09 soybean exports at 8250,000 tons, based on increased production. Major markets will remain the same. Post forecasts 2009/10 soybean exports up to 1,230,000 tons, based on increases in production exceeding increases in domestic consumption, which will lead to a higher exportable supply. Post lowers soybean imports for 2007/08 and 2008/09 to zero based on a revision of historical data.

Soybean oil imports for 2008/09 are estimated at 23,000 tons. 2008/09 imports of soybean oil are forecast at 2007/08 levels, reaching 18,000 tons, which will primarily supply the food use demand.

Post estimates 2008/09 soybean meal imports at 83,000 MT, down from the previous year due to increased crush. Soybean meal imports for the 2009/10 are forecast to decrease to 50,000 tons. Despite growing demand for animal feed in the livestock and dairy sectors in those years, increased domestic supply will decrease need for imports.

Production, Supply and Demand Data Statistics:

Oilseed, Soybean Uruguay	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Apr 2008		Market Year Begin: Apr 2009		Market Year Begin: Apr 2010	
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Apr
		Data		Data		Data
Area Planted	425	462	500	575		650
Area Harvested	415	462	485	575		650
Beginning Stocks	34	34	24	10		125
Production	830	773	775	1,000		1,300
MY Imports	197	0	48	0		0
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	1,061	807	847	1,010		1,425
MY Exports	1,000	760	800	825		1,230
MY Exp. to EU	0	0	0	0		0
Crush	25	25	25	40		100
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	12	12	13	20		25
Total Dom. Cons.	37	37	38	60		125
Ending Stocks	24	10	9	125		70
Total Distribution	1,061	807	847	1,010		1,425
CY Imports	10	0	10	0		0
CY Imp. from U.S.	0	0	0	0		0
CY Exports	940	950	850	800		1,000
CY Exp. to U.S.	0	0	0	0		0
TS=TD		0		0		0

Oil, Soybean Uruguay	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Apr 2008		Market Year Begin: Apr 2009		Market Year Begin: Apr 2010	
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Apr
		Data		Data		Data
Crush	25	25	25	40		100
Extr. Rate, 999.9999	0.	0.2	0.	0.2		0.2

Beginning Stocks	0	0	0	0		0
Production	5	5	5	8		20
MY Imports	17	17	18	23		18
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	22	22	23	31		38
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	9		16
Food Use Dom. Cons.	22	22	23	22		22
Feed Waste Dom. Cons.	0	0	0	0		0
Total Dom. Cons.	22	22	23	31		38
Ending Stocks	0	0	0	0		0
Total Distribution	22	22	23	31		38
CY Imports	18	10	18	23		18
CY Imp. from U.S.	0	0	0	0		0
CY Exports	0	0	0	0		0
CY Exp. to U.S.	0	0	0	0		0
TS=TD		0		0		0

Meal, Soybean Uruguay	2007		2008		2009	
	2007/2008		2008/2009		2009/2010	
	Market Year Begin: Apr 2008		Market Year Begin: Apr 2009		Market Year Begin: Apr 2010	
	Annual Data Displayed	New Post	Annual Data Displayed	New Post	Annual Data Displayed	Apr
		Data		Data		Data
Crush	25	25	25	40		100
Extr. Rate, 999.9999	1.	0.8	1.	0.8		0.8
Beginning Stocks	0	0	0	0		0
Production	20	20	20	32		80
MY Imports	90	90	95	83		50
MY Imp. from U.S.	0	0	0	0		0
MY Imp. from EU	0	0	0	0		0
Total Supply	110	110	115	115		130
MY Exports	0	0	0	0		0
MY Exp. to EU	0	0	0	0		0
Industrial Dom. Cons.	0	0	0	0		0
Food Use Dom. Cons.	0	0	0	0		0
Feed Waste Dom. Cons.	110	110	115	115		130
Total Dom. Cons.	110	110	115	115		130
Ending Stocks	0	0	0	0		0
Total Distribution	110	110	115	115		130
CY Imports	90	90	95	80		0
CY Imp. from U.S.	0	0	0	0		
CY Exports	0	0	0	0		0
CY Exp. to U.S.	0	0	0	0		0

SME	110	110	115	115			130
TS=TD		0		0			0